Collectivization, Accumulation, and Power

Command: The Political Economy of Stalin's Dictatorship. An Archival Study, Chapter 2

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CHAPTER 2 COLLECTIVIZATION, ACCUMULATION, AND POWER

Chapter Prologue

"My Grandfather grew up in a village, where he cultivated the land with his brother and their children. His neighbor, Petya, was a neer-do-well, who slept on the porch of his ramshackle hut and spent his evenings drinking and beating his miserable wife. He would watch in disdain as we sweated in the hot sun building a new barn or brought home a new cow. During hard times, Petya would appear at our door asking for a handout . In 1929, Petya appeared at my Grandfather's door accompanied by a handful of thugs, sporting a military uniform and cap bearing a red star and declared: 'In the name of Soviet power, I order you to hand over all your property and land to the collective.' This is why my Grandfather hated Communism and Soviet power all his life."

Story told to the author in Moscow by a seventy-five year old Russian.

Command describes how and why a small group of socialist revolutionaries, led by one of history's worst tyrants, Josef Stalin, created the world's first administrative-command economy. The story is told from the records of the formerly secret Soviet archives from the same documents these "founders" used more than a half-century earlier. This chapter describes the background of the 1929 decision to abandon the New Economic Policy (NEP) for a never-before-tried feat of social engineering: An entirely new system of economic and political management was to be created in short order, founded on the principles of the "leading role of the Party" (read: dictatorship of the Communist Party), complete state ownership, and elimination of private economic activity. Stalin termed the fateful decision to create the administrative-command economy the *Great Break-Through* (*Velikii Perelom*).

The Great Break-Through began with the Sixteenth Party Congress's approval of the maximum version of the first five-year plan in April of 1929 and was sealed by the Politburo's approval of Stalin's "On Grain Procurements" on August 15, 1929. The first event signaled not only Stalin's victory over his "right deviationist" opponents, but also the beginning of a massive industrialization drive. "On Grain Procurements" firmly ensconced the principle of compulsory agricultural deliveries from a peasantry entrapped in collective farms.[1]

The decision to collectivize agriculture by force was far from settled as of April 1929, when the Sixteenth Party Congress projected that three quarters of the peasant population would still be in private households in 1933.[2] Collectivization was enshrined with the November 1929 Central Committee decision to force peasant households into collective farms.[3] The declaration of war against the more prosperous peasants, the kulaks, was issued in person by Stalin on January 5, 1930: "We have gone over from a policy of limiting the exploiting tendencies of the kulak to a policy of liquidating the kulak as a

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[1] These events are described in considerable detail in R.W. Davies, *The Socialist Offensive: The Collectivization of Agriculture*, vol. 1 (Cambridge, Mass.: Harvard University Press, 1980), chapter 3.

[2] Davies, *The Socialist Offensive: The Collectivization of Agriculture*, p. 112

[3] *Bolshaia Sovetskaia Entsiklopedia*, vol. 21, p. 616; *Kratkaia Istoria SSSR* (Moscow: Nauka, 1972), p. 232.

class."[4] In the eight months, between April and November of 1929 Stalin succeeded in emasculating opposition to collectivization within the Party's ruling bodies, the elite Politburo and the larger Central Committee. The industrialization and collectivization decisions of 1929 resolved once and for all the debate between the Party's right wing and Stalin and his allies. The Soviet Union would thereafter be directed by a national plan to create an industrialized economy in the shortest possible time, characterized by collectivized agriculture, state ownership, and a dictatorship by the communist party, which would speak with one voice and would allow no internal opposition.

The official history of the Soviet Communist Party maintains that the decisions of 1929 were pre-ordained by two earlier failures; namely, the failure of capitalism in Russia prior to the 1917 revolution and the failure of the new Economic Policy (NEP) of 1921 to 1928.[5] The aborted experiment to achieve full communism immediately, the War Communism system of 1918- March 1921, is dismissed as an emergency measure brought on by the civil war. The English socialist, Maurice Dobb, accepted the official Soviet explanation, which was widely accepted in the West as a consequence of Dobb's influential texts first published in the 1930s.[6] NEP, in particular, was presented as "crisis ridden" – a system that had to be replaced. Yet, by all normal indicators, NEP was a

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[4] Davies, *The Socialist Offensive: The Collectivization of Agriculture*, p. 197.

[5] Istoriia Kommuniticheskoi Partii Sovetsogo Soiuza (Moscow: Polizdat, 1959), chaps. 1-12.

[6] Maurice Dobb, *Soviet Economic Development since 1917*, 5th ed. (London: Routledge & Kegan Paul, 1960). The first edition was published in 1928.

resounding success. The economic recovery that began in 1921 was one of history's most rapid. NEP's mix of state and private ownership and market allocation and its apparent success pose one of history's great counterfactual questions: What would have happened had the Soviet power struggle been won by the pro-NEP right wing of the Bolshevik Party? A persuasive econometric study of this counterfactual scenario suggests much more favorable economic outcomes and the avoidance of the cataclysmic losses of forced collectivization.[7] Yet official Soviet doctrine states that a continuation of NEP was not an option, for reasons to be discussed below.

THE PRE-REVOLUTIONARY FAILURE STORY

With The exception of the fleeting attempt to create a command system during War Communism, the period 1885 to 1929 was one in which administrative commands played a relatively minor albeit growing role. The Russian economy in 1913 was much poorer than its neighbors to the West, and it shared many of the same institutional flaws with other relatively backward market economies of the time. Corporate law was weak, but there was an active Russian equity market in which private stocks and bonds and Russian government debt traded.[8] Bureaucratic interference was strong but not paralyzing. Agriculture was divided between peasant and gentry lands, with the latter declining in share. Peasants were organized into traditional communes and village self governments,

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[7] Holland Hunter and Janusz Szyrmer, *Faulty Foundations: Soviet Economic Policies, 1928-1940* (Princeton: Princeton University Press, 1992), chapters 13-14.

[8] Thomas Owen, *The Corporation Under Russian Law, 1800-1917* (Cambridge: Cambridge University Press, 1991).

but the Russian grain market was integrated into the world grain market, transportation costs were falling, and peasants had finally gained the right to exit the commune as a consequence of the Stolypin Reforms of 1906 and 1911. Russia was a major player in international trade, as the world's second largest agricultural exporter, although its trade was restricted by relatively higher tariffs. Russia was a remote and forbidding place, but its natural wealth and massive population attracted huge amounts of foreign capital by offering relatively high rates of return.[9] Russia was the world's largest debtor nation on the eve of World War I. Russia's 1918 default set off repercussions in world financial markets that eclipsed subsequent defaults by other debtor countries.

Pre-revolutionary Russia was a market economy in which economic decisions were made primarily by individual businessmen, tradespersons, and farmers; prices were dictated by markets, and state planning was absent, despite a substantial Russian-Nationalistic and Marxist literature proclaiming the uniqueness of the Russian economic experience. The Russian market economy was relatively successful, despite a political and scholarly consensus that it failed. Writers as disparate as V.I. Lenin and Alexander Gerschenkron, the Harvard economic historian, agreed on this failure story, for quite different reasons. Lenin used the image of failure to bolster his claim that the socialist revolution should start in Russia as the "weakest link in the capitalist chain." Gerschenkron argued that the 1917 revolution was a result of policy errors and could

[9] John McKay, *Pioneers for Profit: Foreign Entrepreneurship and Russian Industrialization, 1885-1913* (Chicago: University of Chicago Press, 1970).

easily have been averted. The fateful delay of agricultural reform meant the loss of a westernized Russia, integrated into the Western world.[10]

My earlier book, *Before Command* painted a picture of relative economic success: Russian agriculture, despite its serious institutional problems, grew as fast as European agriculture (during a period of relatively rapid agricultural progress throughout the industrialized world) and Russia's total output grew more rapidly than Europe's.[11] If one projects forward this growth, Russia was several decades away from developing into a middle-income European economy when the massive shock of World War I destroyed the institutions and much of the human and physical capital that had created this impressive growth. These conclusions, which have not been seriously challenged, dispel the myth of Russian economic failure prior to 1917 and of the futility of pursuing a "capitalist path" in Russia after World War I.

The Communist victory over white forces in the Russian civil war eliminated the option of market-economy development in Russia. From late 1917 until 1991, the political

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[10] V.I. Lenin, *The Development of Capitalism in Russia* (Moscow: Progress, 1977); Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge, Mass.: Harvard University Press, 1962).

[11] Paul Gregory, *Before Command: An Economic History of Russia from Emancipation to First Five-Year Plan* (Princeton: Princeton University Press, 1994).

monopoly of the Communist Party of the Soviet Union (CPSU)[12] was not challenged, and the Communist leadership, throughout this entire period, took adhered to three core ideological principles: virtually complete state ownership, a planned economy to replace the "anarchy of the market," and the "leading role of the Party." Underlying these core principles was the notion that the socialist cause was more important than any individual (except Stalin who was the socialist cause). In Stalin's words: "Don't spare the individual; spare only the cause."[13]

These core principles clearly ruled out a market capitalist economy in the Soviet Union, and it also proved incompatible with NEP's mix of private and state ownership and planned and market activity as will be shown below. The choice of the administrative command system, or a close substitute, would have been inevitable, given the facts of communist Party control and of its three core principles.

THE EXPERIMENTS

Lenin was the consensus leader of the Bolshevik Party; during his lifetime, there would be no real challenge to his authority. He dominated not only the rule of the Soviet Union but also its ideology. The struggle among various factions of the Party had to wait his incapacitation in March of 1923 and his subsequent death on January 1, 1924. Lenin taught that revolution could be sparked only by dedicated professional revolutionaries:

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[12] Throughout most of the 1930s, the CPSU was actually called the Great Communist Party of Russia and then of the Soviet Union. Its acronym was VKP.

[13] Lars Lih, Oleg Naumov and Oleg Khlevniuk, *Stalin's Letters to Molotov, 1925-1936* (Yale University Press, 1995) deal with these ideological principles in their introduction.

hence, the Bolshevik Party limited its ranks to a small group of activists. The "old Bolsheviks" joined the Party between 1898 and 1906.[14] The Bolsheviks gained power in 1917 due not to their popularity but to the ineptitude of the hapless provisional government, which neither pulled Russia out of the war nor promised land and bread as did Lenin. It was Lenin's small group of revolutionaries, probably to their great surprise, who took over the running of the country endowed with the world's largest land mass and a population (130 million) twice that of its largest European neighbor (Germany).

As former outcasts and, in most cases, fugitives, no old Bolshevik had appreciable administrative experience. Vladimir Lenin had written extensively but in a theoretical vein on Russian capitalism and on revolutionary strategy. Leon Trotsky was a charismatic leader able to marshal the Red Army to its eventual civil-war victory. Nikolai Bukharin was an intellectual who had written extensively on socialist theory but lacked practical experience. Josef Stalin had joined the Bolshevik Party in 1898, was educated in a Georgian seminary and trained as a journalist, but worked an underground revolutionary most of his adult life. None had a reasonable understanding of conventional economics, as it was understood at the turn of the century, and none had ever met a business payroll or run a government department. The top leaders were in their thirties and early forties when they came to power. They had to decide Lenin's famous question, "What is to be Done?"

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[14] A convenient list of short biographies of top Party and state officials is found in O.V. Khlevniuk, A.V. Kvashonkin, L.P. Koshelova, and L.A. Rogovaia (eds.), *Stalinskoe Politburo v 30-e gody* (Moscow: AIRO-XX, 1995), pp. 259-321.

Their first step, the Land Decree of 1917, confiscated the land of the remaining large estates and redistributed it to peasant households. Lenin had little choice but to formalize the spontaneous peasant confiscations that were going on in the countryside. The Land Decree eliminated the remaining large estates and left Russian agriculture in the hands of peasant households, who continued to maintain their traditional forms of village self government.

War Communism: The Founders' Original Intent

War Communism has been widely interpreted as forced upon the Bolshevik leadership by the Russian civil war.[15] Yet there is contrary evidence of an "original intent" to introduce a communist society immediately without going through preparatory stages.[16] The writings of the Bolshevik founders both prior to and during War Communism reveal a clear desire to create an economy based on a "settled" plan and abolition of private property – tasks which they enthusiastically embraced upon seizing power. The Bolsheviks nationalized virtually all enterprises including those employing only one or two persons, banned all private trade, abolished money, and confiscated what they terms agricultural surpluses. That wholesale nationalizations were carried out in mid and late 1917 before the outbreak of civil war and the most extreme nationalization decree was passed in

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[15] Silvana Malle, *The Economic Organization of War Communism, 1918-1921,* (Cambridge: Cambridge University Press, 1985).

[16] Paul Craig Roberts, *Alienation and the Soviet Economy,* (Albuquerque: University New Mexico Press, 1971), chapter 2; Peter Boettke, *Calculation and Coordination: Essays on Socialism and Transitional Political Economy* (London: Routledge, 2001), Essays 6 and 7.

November of 1920 after the civil war had largely ended refute the official position that War Communism was simply a reaction to wartime emergency.

War Communism's result was once described as "the greatest failure in economic history."[17] Output collapsed, and there was massive de-urbanization as people fled the cities. Industrial production fell to one fifth of its prewar level in 1920. It is no surprise that such an abortive attempt to create a money-less, market-less, private-property-less economy overnight under precarious political conditions would be disastrous. The War Communism fiasco shows, however, both the inclination of the new leadership to bow to ideological goals and their extreme ineptitude, naiveté, and unpreparedness to govern.

NEP: Could Communists Tolerate Markets?

Lenin announced the New Economic Policy (NEP) in March of 1921 following the ominous Kronstadt Rebellion of sailors, who only a few years earlier had counted among the Bolsheviks' strongest supporters. On March 23, 1921, Lenin announced a proportional tax on agriculture to replace the confiscation of agricultural production. Private trade was again legalized, although large state-run organizations continued to dominate wholesale trade. A monetary reform introduced a new stable currency, the *chervonets,* which was even quoted in international foreign exchange markets. Although Lenin stuck with his fateful February 10, 1918 decision to repudiate foreign debt, attempts were made to entice

[17] Quotation of William Chamberlin cited in Boettke, *Calculation and Coordination: Essays on Socialism and Transitional Political Economy*, p. 78.

foreign concessionaires back to Russia along with previous owners.[18] The Supreme Council of the National Economy tried to manage large state enterprises but did not attempt to compile national plans. The finance ministry exercised more influence on the economy through its direction of credit "limits" than did any planning agency.

Peasants responded to NEP's liberalization by sowing more grain; empty shops were again stocked with goods; people returned from the countryside to abandoned towns and cities. Industry and transportation, which had produced only one fifth their prewar levels in 1920, reached prewar production levels by 1926. Agriculture, which had fallen to 60 percent of its prewar level, also recovered by 1926.[19] Despite the inducements to join collective and state farms, peasants were content to farm their own plots within the familiar setting of the commune and village self-government.[20] Despite massive

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[18] Paul Gregory, "Russia and Europe: Lessons of the Pre-Command Era" in R. Tilly and P. Welfens (eds.) *European Economic Integration as a Challenge to Industry and Government* (Berlin: Springer, 1996).

[19] G.W. Nutter, "The Soviet Economy: Retrospect and Prospect," in S. Abshire and R.V. Allen, *Political, Military, and Economic Strategies in the Decade Ahead* (New York: Praeger, 1963), p. 165.

[20] V. P. Danilov, *Rural Russia under the New Regime* (Bloomington, Indiana: Indiana University Press, 1988).

propaganda efforts of the Communist regime, less than two percent of peasant households had joined collectives by 1928.[21]

Could the conspiratorial Bolshevik Party accept an economic system in which major decisions were made by grain markets, middlemen, and peasant households? The opening of the archives allows us to shed more light on this issue. The story of the end of NEP and the Great Break-Through can be told largely in terms of the battle over grain – who should market it, to whom it should be sold, and at what prices?

GRAIN AND ACCUMULATION

So far, we have listed three core values of the Communist Party: state ownership, a planned economy, and the leading role of the Party. There was a fourth value, based on Marxist thought, which was used so persistently and consistently, that it also qualifies as a core value: capital accumulation. This fourth core value can be seen in the rapid increases in the investment rate in the 1930s and the extraordinarily high investment rates of administrative-command economies throughout the world. [22] Nikita Khrushchev won the post-Stalin power struggle in the early 1950s by his adherence to the principle of priority of heavy industry. The strategy of the Great Break-Through was clearly guided by the forced capital accumulation strategy laid out in the mid 1920s by Leon Trotsky's "left

[21] Lazar Volin, *A Century of Russian Agriculture* (Cambridge, Mass: Harvard University Press, 1970), p. 211.

[22] Paul Gregory and Robert , *Soviet Economic Structure and Performance,* 2nd ed. (New York: Harper and Row, 1981), pp. 381-5.

deviationists."[23] It was Trotsky's theorists who explained the principles of forced accumulation. It was Stalin who created the instruments of force required to gather this surplus.

Marx had little practical economic advice to offer the leaders of the world's first socialist state, other than primitive capital accumulation. "Primitive accumulation" argued that relatively poor societies accumulate their initial capital by force. The first capitalists accumulated capital by stealing from weaker elements of society or as wartime booty. The first capital was raised not by patient saving (refraining from consumption) or plowing back profits but by taking "surpluses" from someone else. Hence, the Bolshevik leaders had to consider from whom to extract capital in a new socialist state?

One of Stalin's winning strategies was to control the rhetoric of discussion. Those opposed to his ideas represented a "deviation" (*uklon*) from true Marxist-Leninist principles.[24] Trotsky's "left deviationist" strategy was spelled out by his chief theoretician, E.A. Preobrazhenky,[25] who argued in the mid 1920s that peasant agriculture should be the source of primitive capital accumulation. Preobrazhensky's reasoning was that

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[23] Alexander Erlich, *The Soviet Industrialization Debate, 1924-28* (Cambridge, MA: Harvard University Press, 1960); Nicholas Spulber, *Soviet Strategy for Economic Growth* (Bloomington: Indiana University Press, 1964).

[24] J. Getty and Oleg Naumov, *The Road to Terror: Stalin and the Destruction of the Bolsheviks, 1932-1930* (New Haven: Yale University Press, 1999), pp. 20-22.

[25] E.A. Preobrazhensky's book from 1926 has been translated and published as *The New Economics*, Brain Pierce, transl. (Oxford: Oxford University Press, 1964).

industrialization required labor to move from the countryside to the city, where industrial workers had to be fed with agricultural surpluses. In a world of static agricultural production, such a transfer would occur only if peasants consumed less (their standard of living fell) for the growing city population to be fed more. According to Preobrazhensky, Russian peasants had been accustomed to lower living standards before the revolution, to which they could return without a loss of agricultural output.

Preobrazhensky identified the source of primitive capital accumulation, but he could not identify the transfer mechanism. He proposed that the state establish a grain purchasing monopoly, which would set low purchase prices to drive down peasant income, resell at higher retail prices, and use the trading "profit" to finance industrial investment. If private markets set agricultural prices, the gap between wholesale prices and retail prices would narrow to a competitive trading margin, the state would lose its "profits" for investment finance, and peasant income would not fall. In effect, Preobrazhensky proposed a massive income redistribution scheme, which would transfer income from agriculture to industry. He failed to answer the most important question: If peasants are offered low prices, what will motivate them to deliver their products to the state? They could either eat the grain themselves, feed it to their livestock, or cut back on production. It was Stalin who provided the mechanism to force deliveries at low prices.

The fate of the "left deviationists" is well known. Stalin allied himself with the moderate majority in the Politburo to remove Trotsky from the Party in 1926. One year later, Stalin began to embrace the very principles for which the "left deviationists" had been discredited. It is not known whether Stalin opposed the "left deviation" program for political gain only or whether he converted to their thinking. The practice of compiling balances of oil, steel, and grain contributed to a growing sense of emergency and also provided an excuse for moving against the peasants with force. As state planners began to prepare "balances" of steel, oil, and grain, attention was directed to how much grain the state was collecting for transfers to the city. The state should be both the collector (buyer) of goods and their distributor. Important goods like grain should not be left to the "anarchy of the market." The proper distribution of grain to city dwellers and for export could only be assured if the state was the purchaser. Agricultural goods that disappeared into the private economy were regarded as lost, according to this "balance mentality,"[26] even if the private market sold these goods in urban markets. The terminology is instructive: Instead of state grain "purchases," the state "collects" or "procures" grain through "campaigns." The state agency that obtains grain from the agricultural population is not a "purchasing" agency but a "procurement" agency. As grain balances were compiled that focused only on state grain collections, grain collection "targets" were set for the quantities that the state was to purchase at state delivery prices. If these targets were not met, a "grain collection crisis" was declared.

The Grain Collection Crises Revisited

The events of 1927 and 1928 leading up to forced collectivization have been well chronicled.[27] Throughout the early years of NEP, agricultural producers had the right to

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[26] Paul Gregory, *Restructuring the Soviet Economic Bureaucracy*, (New York: Cambridge University Press, 1990), pp. 156-58.

[27] Moshe Lewin, *Russian Peasants and Soviet Power* (London: Allen & Unwin, 1968); R.W. Davies, *The Socialist Offensive: The Collectivization of Agriculture*, vol. 1

sell either to private traders (called Nepmen) or to state procurement organizations, the three most important being "Central Union" (Tsentrosoiuz), "Grain Central" (Khlebotsentr), and "Union Grain" (Soiuzkhleb), all of which fell under the supervision of Anastas Mikoian, the Commissar of Trade. Each year, the Party's Politburo set grain collection targets for the procurement campaign and would anxiously follow the course of grain collections via reports from procurement agencies and its informer network in the countryside. [28] According to official statistics, state grain purchases fell from 10.6 million tons in 1926/1927 to 10.1 million in 1927/1928 and then to 9.35 million tons in 1928/1929.[29] This 12 percent reduction forced the Soviet state to import grain for the first time in Russian history. [30] Alarm bells were sounded in the Kremlin, which declared of a grain procurement emergency.

The grain procurement crises provided Stalin with ammunition to move against the more prosperous peasants -- the kulaks and middle peasants. Stalin, in a May 1928 report, cited data showing that grain output had regained prewar levels but that grain marketings

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(Cambridge, Mass.: Harvard University Press, 1980), p. 112; Stephan Merl, *Der Agrarmarkt und die Neue Ökonomische Politik* (Oldenbourg: Munich, 1981).

[28] A. Berelovich and B. Danilov, *Sovetskaia Derevnia Glazami VChK-OGPU-NKVD*, vol. 1. 1918-1922 (Moscow: Rosspen, 1998), vol. 2. 1923-1929 (Moscow: Rosspen, 2000).

[29] Davies, *The Socialist Offence: The Collectivization of Agriculture*, p. 427.

[30] Moshe Lewin, *Russian Peasants and Soviet Power*, pp. 214-244.

were only half their prewar level.[31] He blamed the middle and prosperous peasants; his figures showed that poor peasants were marketing the same percentage of output as before.[32] The Politburo used these figures to justify the collection of grain by “extraordinary *(chrezvychainye)* measures” as police and militia grain collections were euphemistically called. The first extraordinary grain collections were conducted on a large scale in October of 1927. Party officials, police, and secret police were dispatched to grain-producing regions. Regional and local party authorities were made personally responsible for procurement targets, roadblocks were set up, grain sold on local markets was confiscated, and prison sentences were handed down for grain burning and for private grain trading.[33] Stalin personally supervised extraordinary measures in the Ural region and Siberia. Some argue that Stalin’s personal epiphany for forced collectivization occurred during his excursion to the Ural region and Siberia. Stalin’s conclusion, which became official Soviet doctrine, was that as long as peasants remained free, they could sabotage any industrialization effort by withholding their grain. In fact, the reduced grain collections of the late 1920s were depicted as intentional acts of defiance of Soviet rule.

Starting in the 1960s, economists began to question the official Soviet version of events. Jerzy Karcz showed that Stalin's figures on the peasant marketing “boycott” were

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[31] J. Karcz, “Thoughts on the Grain Problem,” *Soviet Studies*, vol. 18, no. 4 (April 1967), pp. 399-402.

[32] For Stalin’s figures, see Merl, *Der Agrarmarkt und die Neue Oekonmische Politik*, p. 446.

[33] Ibid., pp. 313-367.

distorted and perhaps doctored to bolster the case against the kulak. The procurement "crisis" was limited to *state procurements*, not to overall agricultural marketings, and it was caused by state pricing policy, not by a conspiracy to destroy Soviet power. [34] Mark Harrison, examining more extensive data almost twenty years after Karcz, concluded that peasants were retaining more grain and selling less in late 1920s because of the loss of large estates, unfavorable prices, and increased production of non-grain crops.[35] Given the confusion surrounding agricultural marketings in a mixed system that discourages sales to private traders, we shall never know exact figures. With entirely new conditions in agriculture after the revolution, changes in marketing rates and production patterns would not be surprising, but was this “crisis” grounds for the end of private agriculture? What were the true causes of the “crisis”: a purely political action by enemies of the state, or more conventional factors?

Table 2-1 shows that state grain purchase prices declined as ratios of market prices throughout the late 1920s. By the 1928/1929 agricultural year, state prices were less than half of those offered in private markets. The relative prices in Table 2-1 explain eloquently the “grain collection crises” of 197/28 and 1928/29. Grain producers would prefer to sell at the full price to private traders rather than at half price to the state, as long as the choice

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[34] Much of this discussion is based on an earlier joint work: Paul Gregory and Manouchehr Mokhtari, “State Grain Purchases, Relative Prices, and the Soviet Grain Procurement Crisis,” *Explorations in Economic History*, vol. 30, 1993, pp. 182-194.

[35] Mark Harrison, “The Peasantry and Industrialization,” in R.W. Davies (ed.), *From Tsarism to the New Economic Policy* (Houndsmills: MacMillan, 1990), pp. 109-117.

is voluntary. State procurement prices offered little incentive to farmers. After 1926/1927, they failed to cover average costs,[36] and many peasants chose symbolically to burn grain rather than turn it over to the state. State grain prices were set low relative to industrial crops and to meat and dairy products so that peasants switched to industrial crops or to feeding grain to livestock. [37] As long as sales were voluntary, peasant sales should be explained by economic factors such as relative prices. With higher private prices, grain would be sold to private buyers. With grain prices low relative to livestock and dairy products, peasants would feed their grain to livestock rather than sell, an option that would persist even with the elimination of private grain buying. When only the choice of selling to the state at prices below production costs remained, peasants would rather eat their grain or burn it. These choices are clearly economic not political.

Figure 2-1 shows the impact of “extraordinary measures” on state grain collections by contrasting the "normal" periodicity of state grain purchases in 1926/1927 with the “crisis” collections of 1927/1928. In 1926/1927 most grain was purchased between August and December. However, when the state announced a reduction in its grain procurement prices in late August 1927, procurements dropped sharply during the very period when grain purchasing was normally at its peak. “Extraordinary measures” were applied in late October to counter the decline in state procurements. Police and party commissars were sent to the countryside to organize collections and to punish peasants who sold to private traders and to arrest "speculators". Their effects began to be felt in

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[36] Merl, *Der Agramarkt und die Neue Oekonomische Politik*, pp. 137-139.

[37] Davies, *The Socialist Offensive: The Collectivization of Agriculture*, pp. 39-41.

January of 1928 resulting in a partial recoupment of procurements lost between September and December of 1927. The state's inability to procure grain from private peasants at the prices it dictated was the primary rationale for forced collectivization. "If peasants do not hand over grain voluntarily, we must take it by force", was the thinking.

Interpreting Stalin Correctly

The grain collection crisis was caused in large part by state pricing policy, not by the hostile political actions of recalcitrant peasants. If the state's purchasing agents had competed in price with private traders, grain purchases would have fluctuated with harvests and with relative prices of various farm products. In fact, state agencies could perhaps have offered somewhat less because of their superior distribution, transportation, and storage facilities.

One interpretation of the grain collection crises is that Stalin and his allies were economic illiterates, who expected peasants to sell to them at half price! This explanation ignores the Bolshevik's fundamental goal of primitive accumulation – the collection of "tribute" from peasants to finance industrialization. According to the Preobrazhensky model, peasants had to deliver grain in the quantities targeted by the state **and** at low prices. It was the low prices that would create the surplus when the state resold the grain at higher retail prices. If the grain went to private traders, the state would lose both physical control of its allocation and its profits. **Figure 2-2** illustrates the grain procurement problem. The state wished to procure (purchase) **OT** units of grain at the low state price, but, at that price, only **OV** units would be sold to state organizations voluntarily. The difference (**VT**) would either be sold at prices above the state price to private traders or would be fed to livestock, eaten, or burned, especially if the state price was below the cost of production. The message is clear: The state cannot procure its targets if the price is not high enough to elicit that volume of sales *except by force*. There must be some mechanism to force peasants to sell the targeted amount. The lack of such a mechanism of force in the mid 1920s was the weak link in Preobrazhensky's program. Stalin's forced collectivization supplied the institution that could extract the surplus by force from the countryside.

Stalin's letters (to his Prime Minister Molotov) and other records clearly reveal Stalin's logic in combining low prices with force. Stalin was no economic illiterate; he had a reasonable understanding of how agricultural markets worked and preferred to base his decisions "on the logic of things" rather than on intelligence reports or the advice of others.[38] Stalin was well aware that higher grain prices would elicit more sales. In September of 1934, he ordered a 15 kopek increase in the purchase price of wheat to stimulate sales.[39] He was knowledgeable about world grain markets, stating in a letter to Molotov dated approximately August 23, 1930 that: "We have one and a half months left to export grain: starting in late October (perhaps even earlier) American grain will come on the market in massive quantities, and we won't be able to withstand that. If we don't export 130-150 million puds of grain in these six weeks, our hard currency situation could become really desperate."[40] Stalin based the entire success of his economic program on the fulfillment of state grain collection targets. In a letter to Molotov: "If we can beat this

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[38] Lih et al., *Stalin's Letters to Molotov*, p. 47.

[39] Oleg Khlevnyuk et. al., Stalin *i Kaganovich.. Perepiski. 1931-1936 gg.,* p. 478.

[40] Ibid,, p. 203.

grain thing, then we'll prevail in everything, both in domestic and foreign policies."[41] Stalin's mood became jubilant upon learning in December of 1929 that grain collections were improving and that the stocks of grain in cities were growing. Stalin crowed: "The eyes of our rightists are popping out of their heads in amazement." [42] What counted was grain in the hands of the state, not total grain production. As stated later in 1934 by a Stalin deputy (Zhdanov): "What determines our welfare, our equilibrium with relation to grain… is the quantity of grain *in the hands of the state* [author's italics]. This matter is of the highest importance and we cannot lose sight of it for one minute."[43] Stalin stressed the importance of a single (low) grain procurement price and railed against "the presence of a large number of urban speculators at or near the grain market who take the peasants' grain *away from the government* [author's italics] and – the main thing – create a wait-and-see attitude among the grain holders."[44] Stalin branded private traders with epithets of "vile," "criminals and bandits," and "enemies of the state." In a letter dated September 1, 1929, Stalin argued that there must be a monopoly state purchaser of grain [instead of three state agencies]: "Without such a reform, competition among us is inevitable and its

[41] Ibid., pp. 175-176.

[42] Ibid., p. 183.

[43] This statement of Zhdanov is from a rare stenographic report of a Politburo meeting of November 21, 1934 from O.V. Khlevniuk et al., *Stalinskoe Politburo v 30-e gody*, pp. 51-53.

[44] Lih et al., *Stalin's Letters to Molotov,* p. 165.

consequences are inevitable."[45] A Stalin deputy (Zhdanov) reiterated this position: "We cannot allow the presence of a large number of buyers in one region, because where there is overlap, there is competition, which raises prices."[46]

Stalin's correspondence demonstrates an intimate knowledge of the course of procurement campaigns. He personally set grain collection targets: Stalin (August 21, 1931) to Kaganovich: "It is necessary to lower the plan of the Siberians and Middle Volgans. I fear it is necessary to lower the Lower Volgans a little. It is possible to give Middle Volga 100 million puds, and Western Siberia 85, but then Lower Volga will raise the question – to give it 100 million. It would then be necessary to lower the animal grain fund from 100 to 60 or 50 million puds."[47] Throughout the 1930s, Stalin continued to receive petitions from regions to lower their procurement targets. He denied most but granted some. In fact, by the mid 1930s, Stalin's correspondence with his deputy Kaganovich was dominated by this issue. Kaganovich would usually pass petitions to Stalin with the query: "Your opinion?"[48] Stalin kept exact track of how much was being collected, from whom, and who needed to be punished for failure. In his August 29, 1929

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[45] Lih et al, *Stalin's Letters to Molotov*, p. 176.

[46] This statement of Zhdanov is from a rare stenographic report of a Politburo meeting of November 21, 1934 from O.V. Khlevniuk et al., *Stalinskoe Politburo v 30-e gody*, pp. 51-53.

[47] Oleg Khlevnyuk, R. Davies, L.P. Kosheleva, E.A. Ris, L.A. Rogovaia, *Stalin i Kaganovich. Perepiski. 1931-1936 gg.* (Moscow: Rosspen, 2001).

[48] Ibid., pp. 632, 639, 688, 696.

letter to Molotov he wrote: "The grain procurements have gone well. Stick to a firm policy regarding Siberia, Kazakhstan, Bashkiria. No concessions to Eikhe and other comrades wishing to shirk difficult responsibilities. We must and can accumulate 100 million puds of emergency reserves, if we are really Bolsheviks and not full of hot air."[49] A rare verbatim report of a plenary meeting of the Party central committee on October 1, 1931, shows Stalin's handling of petitions.[50] The Party secretaries of the Central and Lower Volga regions pled for lower grain targets due to drought: "I must declare directly at this plenum that in view of the bad harvest resulting from the drought in the Lower Volga we cannot fulfill the plan issued to us." After Stalin's afternoon meeting with the Party secretaries, Mikoian announce reductions in some regions and increases in others. The Party secretary of Kazakhstan, a Comrade Goloshchekin, objected to his increased quota: "In any case, I must say that 55 million is impossible," to which Mikoian retorted: "I have read out to you an official document, a decision of the Politburo, 55 million without rice. This is absolutely precise. I do not know why you are confusing things." Stalin was particularly incensed when high Party leaders (Chubar and Petrovsky), assigned to grain producing regions, were unable to meet their quotas.[51]

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[49] Lih et al, *Stalin's Letters to Molotov*, p. 175.

[50] This and following citations are taken from R.W. Davies, "Making Economic Policy," in Paul Gregory (ed.), *Behind the Facade of Stalin's Command Economy* (Palo Alto: Hoover, 2001), pp. 69-70.

[51] Oleg Khlevnyuk et. al., *Stalin i Kaganovich.. Perepiski. 1931-1936 gg.*

Stalin was convinced that little could be accomplished without force and punishment. His directives are interspersed with terse orders to "start punitive measures", "turn over to the courts," or "fight the vile wreckers." In a September 16, 1926 letter to Molotov, he ordered that "violators of the pricing policy on state procurements must be removed and turned over to the courts and their names published."[52] On August 10, 1929, Stalin instructed Molotov "to expose and hand over immediately to the courts (with immediate dismissal from their posts) all those procurement officials caught trying to obtain grain by competing with other state officials."[53] Collectivization was an institutional mechanism to control grain collections. If peasants had been willing to sell to the state at its prices, collectivization would not have been necessary, as a June 1929 statement by Anastas Mikoian, Stalin's commissar for trade and responsible for grain collections, attested: "I fear my statement will be considered heretical, but I am convinced that, if there were no grain difficulties, the question of strong collective farms…. would not have been posed at this moment with such vigor, scope, and strength… If grain were abundant, we would not at the present time have set ourselves the problems of kolkhoz and sovkhoz [state farms] construction in such a way."[54]

Collectivization achieved Stalin's main economic goal: secure supplies of grain at low prices. **Figure 2-3** shows that, between 1929 and 1938, state grain collections rose

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[52] Lih et al., *Stalin's Letters to Molotov*, pp. 127-128.

[53] Ibid., p. 166.

[54] Mikoian's statement was published in Pravda June 27, 1929. It is quoted in Davies *The Socialist Offensive: The Collectivization of Agriculture*, p. 120.

steadily despite fluctuations in output. Collectivization indeed placed the control of grain output directly in state hands. Preobrazhensky, in a failed attempt to rehabilitate himself, enthused: "Collectivization – this is the crux of the matter. Did I have this prognosis of collectivization? No I did not," [55] to which an experienced scholar added: "[Preobrazhensky] was careful not to add that neither did Stalin at the time when the industrialization debate was in full swing. And he was wise not to point out that the decision to collectivize hinged not on superior intellectual perspicacity but on the incomparably higher resolve to crush the opponent." [56]

COLLECTIVE FARMS, AND POLITICS

Forced collectivization set off a rural war against Soviet power. Secret police reports listed 1300 peasant mutinies in 1929; February alone saw 736 mass peasant demonstrations of a quarter million peasants. New governments, independent of Soviet power, were set up in Western Ukraine. In 1930, the OGPU executed more than 20,000 peasants.[57] Figure 2-3 shows that grain production dropped in 1930 and 1931, while grain collections increased. With grain production down and collections up, famine spread throughout the Soviet Union. The Politburo reacted to famine with draconian measures. Regions in which starvation was rampant were ordered to deliver the quotas under the threat of extreme punishment. Starving families were executed for stealing grain, and

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[55] Quoted in Erlich, *The Soviet Industrialization Debate*, p. 177.

[56] Ibid., p. 144.

[57] These figures are cited by O. Khlevnyuk, *Politburo: Mekhanizmy Politicheskoi Vlasti v 30-e gody* (Moscow: Rosspen, 1996), pp. 17-19.

penalties were imposed for "feigning hunger." Politburo members who recommended assistance to starving regions were ridiculed by Stalin as being soft. Figure 2-3 captures the loss of foregone grain production. Grain production in 1938 was not appreciably above that at the start of collectivization.

The ability of Stalin and the Politburo to extract grain collections at low delivery prices, despite massive unrest and starvation underscores what Stalin may have regarded as his greatest achievement: the imposition of Soviet power in the countryside on his natural enemies – the peasant class. Clearly, such a show of force would have failed at the time of the revolution. In 1917, the USSR's population was 163 million, of which 134 million lived in rural areas.[58] Thus, slightly more than four of every five Soviet subjects lived in the countryside. The Bolshevik party was an urban organization. Only 494 peasants belonged to the Party in 1917 and before 1917 only four rural Party cells existed. On October 1, 1928, out of the 1.4 million Party members and candidate members only 198,000 were classified as peasants or agricultural workers. There was one peasant party member in every 125 peasant households. According to E.H. Carr: "Many villages can never have seen a communist except in the guise of an occasional visiting official."[59] Stalin, as the architect of the Soviet dictatorship, could not have been content with four out of every five of his subjects effectively outside of his control.

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[58] *Narodnoe Khoziaistvo SSSR za 70 Let* (Moscow: Finansy i Statistika, 1987), p. 5.

[59] These statistics and the quote from E.H. Carr are cited in Davies *The Socialist Offensive: The Collectivization of Agriculture*, pp. 51-52.

Nor did Stalin like what he saw in the countryside. The Party's window to the countryside was provided by the Ministry of Interior's (called first VchK, or Cheka, then OGPU, and then NKVD and the MVD) secret reports on the Soviet countryside.[60] As noted by the first head of the Soviet secret police (Feliks Dzerzhinsky), these reports " give a one-sided picture – only black – without correct perspective." [61] The OGPU/NKVD chose their coverage to suit Party leaders. Prior to Trotsky's expulsion, peasants were reported as declaring: "Trotsky is our leader."[62] After the break with "right deviationists," reports spoke of "peasant-union slogans to cover the flag of the right."[63] At best, peasants were "indifferent to political questions."[64] In 1928, an anti-religion campaign was resisted by peasants: "Beat us, but we'll not let you close the church."[65] As forced collectivization accelerated in 1930, peasant resistance became the primary theme of reports full of statistics on kulak resistance, de-kulakization norms, arrests, banishments, transit to relocation centers, and peasants killed or injured in the course of fleeing. Peasants were threatened: "If you do not deliver grain, you'll be considered an enemy of Soviet power

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[60] A. Berelovich and B. Danilov, *Sovetskaia Derevnia Glazami VChK-OGPU-NKVD*, vol. 1, 1918-1922. Vol. 2, 1922-1929.

[61] Ibid., pp. 16-31.

[62] Ibid., p. 611.

[63] Ibid., p. 1019.

[64] Ibid., p. 668.

[65] Ibid., p. 825.

and we'll enter your name on the black board."[66] **Table 2-2** is a summary table prepared by the secret police on the 14,000 peasant uprisings of 1930. The accompanying note provides a flavor of individual reports.[67] Peasant resistance to Soviet power was a fact of

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[66] Ibid., p.328.

[67] These cases are from Berelovich and Danilov, *Sovetskaia Derevnia Glazami VChK-OGPU-NKVD,* vol. 1*,* pp. 705-716. Smolensk province, November 16: bands consisting of 100 and 200 peasants are agitating against communists and attacking Soviet establishments.

Moscow Province, November 20: communist candidates from the Russian Communist Party were thrown out and "as a result one communist was elected to the regional Soviet, four non-party candidates, and one candidate agitating against the Russian Communist Party." Kulaks agitating against the agricultural tax and a tax collector murdered.

Novonikailovsky Province, November 21: the head of the provincial revolutionary tribunal has gone on a drunken spree, buying liquor from peasants with flour from army supplies.

Tambov province, November 22: "peasants are indifferent to the Russian Communist Party." Voluntary peasant committees are being formed.

Tiumen Province, November 11: "In Ialutrvorovsky, kulaks are agitating against Soviet power."

Novgorod Province, November 24: "Six sessions of the people's courts and two sessions of the revolutionary tribunal are working in the province. Since the beginning of life and was brought to life by these secret reports. Hence, the forced collectivization drive would have been viewed by the Soviet leadership as a way to gain control of a hostile countryside. The Bolshevik leadership had hoped that they could find allies among the poorer peasants by turning them against the "rich" kulaks. In fact, the Party debated the fate of the kulaks more than one year. Stalin rendered his decision in an "electrifying" speech at the Communist Academy on December 27, 1929: "We have gone over from a policy of limiting the exploiting tendencies of the kulak to eliminating (liquidating) the

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the campaign, 3064 persons have been arrested…. 620 were turned over to the people's court and 161 were turned over to the revolutionary tribunal."

Tver Province, December 2: "Several groups are refusing to participate in the election, saying that agricultural Soviets are not necessary."

Ryazan Province, December 11: "Peasants are indifferent to the Russian Communist Party due to the lack of political workers… they are also indifferent to the cooperatives [collective farms] because the cooperatives don't fulfill their needs." "For non-payment of taxes 1699 persons were arrested -- including nine people occupying responsible administrative positions."

Armenia, December 25: Peasants are refusing to pay their taxes, declaring that they do not recognize the government of Armenia."

Ekaterinoslav Province, December 28: "In the Kvirili region, a new group of political bandits has formed under the leadership of Glonti, numbering 70 persons and one machine gun."

kulak as a class. …Dekulakization is now an essential element in forming and developing collective farms. Therefore to keep on discussing dekulakization is ridiculous and not serious. When the head is cut off, you do not weep about the hair… Can kulaks be admitted to the collective farms? Of course it is wrong to admit the kulak into the collective farms. It is wrong because he is the accursed enemy of the kolkhoz movement."[68] The exclusion of kulaks from collective farms meant their deportation, execution, or, in the most fortunate cases, flight to the anonymity of the city. Collectivization created the first major influx into the Gulags. As of January 1, 1933, the camps housed 334,000 inmates while 1,142,000 were located in special settlements. The majority of these were the victims of Stalin's collectivization.[69]

To strengthen Soviet power in the countryside, Stalin appointed the former deputy head of the much feared Worker-Peasant Inspection (Ya. A. Yakovlev) as Commissar of Agriculture. His trusted but beleaguered associate (A. Mikoian, Commissar of Trade) oversaw grain collections. Politburo members bombarded its agricultural organizations with instructions."[70] Politburo members were made personally responsible for collections

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[68] Stalin's speech was published in Pravda on December 29, 1929. It is quoted in Davies, *The Socialists Offensive: The Collectivization of Agriculture*, pp. 197-198.

[69] Oleg Khlevnyuk, "The Economy of the Gulag," In Gregory (ed.), *Behind the Facade of Stalin's Command Economy*, p. 116.

[70] R.W. Davies, *The Soviet Collective Farm, 1929-1930* (Cambridge, Mass.: Harvard University Press, 1980), pp. 7-8.

in specific regions.[71] Thousands of Party activists were sent to the countryside. Police, militia, and OGPU/NKVD forces were everywhere. After initially limiting authority to order executions to the Central Committee on April 20, 1931, [72] authority to impose the death penalty was extended to include the OGPU and courts of republics. A Politburo Decree of September 16, 1932 required that death sentences be carried out immediately. [73] By March of 1930, the Politburo was authorizing specific officials to order the death penalty.[74]

CONCLUDING COMMENTS

This chapter relates the logic of forced collectivization, a decision that doomed Soviet agriculture to mediocre performance until the end of the Soviet Union in 1991. A region that was the world's second largest agricultural producer and exporter could no longer feed itself by the 1960s and had to turn to grain imports from its arch-rival, the United States. It was Stalin's indifference to rural suffering that led him to dismiss calls for grain imports in 1934 as a "political minus" that would be used by foreigners "crying about the lack of grain in the USSR."[75] But by Stalin's and his Politburo's calculations, the benefits of the introduction of force into the countryside outweighed these costs. The

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[71] Khlevnyuk et al., *Stalinskoe Politburo v 30-e gody*, p. 115-116

[72] Ibid., p. 59

[73] Ibid., p. 61

[74] Ibid., p. 63, p. 65. Comrades Belitsky, Karlson, and Leplersky in Ukraine, and Eikhe in Western Siberia were authorized to pronounce death sentences.

[75] *Stalin i Kaganovich.. Perepiski. 1931-1936 gg.p. 462.*

economic logic of collectivization was enunciated by Preobrazhensky in his "primitive capital accumulation' model, which advised to sacrifice agricultural living standards to achieve a surplus for industrial investment. When proposed by Preobrazhensky in the mid 1920s, this scheme was unworkable. Peasants would not voluntarily hand over their grain to the state at prices below cost of production. Stalin's contribution to primitive accumulation was to create the institutions of force to extract the surplus from peasants. Adherence to primitive accumulation was so consistent that we elevate it to a core principle alongside state ownership, planning, and the leading role of the Party.

Collectivization and the introduction of a network of force into the countryside could be interpreted as actions either of a stationary bandit or a power-maximizing dictator. A stationary bandit, convinced, rightly or wrongly, that an investment surplus must be extracted from agriculture for industrialization, would understand the need for maximum political power in the countryside. A selfish dictator, irrespective of economic objectives, could not accept a political system that does not control three quarters of the citizenry. Collectivization and the extreme pressure it placed on powerful regional Party leaders were not the actions of a referee-dictator responding to pressures from interest groups. Collectivization did not originate as a consequence of regional power lobbies; rather it was an action conceived and executed at the highest levels.

Figure 2-2 brought home the contradiction between primitive accumulation and NEP. As long as private property rights remained and peasants made market-based decisions, the state could not procure grain at the "low" prices it wished. The so-called grain collection crises, which served as the official rationale for collectivization, cannot be considered "failures" of private agriculture. Soviet agriculture, as it was constituted during

NEP, grew at a rapid pace, slowing down only with increasing state intervention. Although it is difficult to obtain accurate measures, it is likely that peasants were producing more, eating more, and feeding more grain to their livestock. Their real incomes were rising. What they were not doing was selling their grain to the state at the low prices the state demanded. Extraordinary measures and then forced collectivization provided the venue for an immense battle over the distribution of income. The Communist leadership believed that NEP gave “too much” to the peasants (in terms of income from sales and from consumption of own production) and “too little” to the city. The Great Break-Through put in place a totalitarian system to change the distribution of income to the disadvantage of the peasantry.

The core values of the Bolshevik Party consisted of state ownership, a planned economy, and the leading role of the Party. These three principles were in direct conflict with NEP, and any decision in favor of NEP agriculture would have required a dropping of these core values. The “right deviationists” (Bukharin, Rykov, and Tomsky) favored the NEP mixed economy. Had they been victorious and carried through on their pledge to continue the NEP system, the administrative-command system would not have been created, and eventually the core values would have been dropped. The result would have been, at least for a time, a highly regulated market economy operated by a political system that tolerated different points of view. The long-term outcome would have been an economic system not much different from that of the more highly-regulated European economies on the eve of World War II. Hence, it was not only Stalin’s greater political skill and brutality that carried the day. The “right deviationists” were out of line with the core values of the Bolshevik Party, whose rank-and-file supported these principles. Stalin won because he understood this simple fact.

Collectivization was carried out following the logic of primitive accumulation. The Soviet leadership presumed that, by buying grain at low prices and selling at higher prices, budget surpluses would be generated for investment finance. According to Marx's model of expanded reproduction, a poor country must create capital at as fast a pace as possible. From a simplistic point of view, any strategy that reduces consumption (such as by reducing peasant incomes) will increase saving, which is the difference between output and consumption. Primitive accumulation appeared to work insofar as the investment rate doubled between 1928 and 1937, but was this increase a consequence of collectivization's depression of rural living standards or did everyone's consumption fall to accommodate more investment? Abram Bergson, the most noted student of Soviet growth, answers this question as follows: "Contrary to a common supposition, the industrial worker fared no better than peasants under Stalin's five year plans."[76] In other words, something went wrong in Stalin's execution of primitive accumulation!

Grain is produced by land, labor, and capital, where agricultural capital is comprised of buildings, inventories, farm equipment and animals, such as horses and oxen that provide tractive power. If forced collectivization were to cause a loss of labor effort or capital stock, the reduced standard of living need not create a surplus if output itself is reduced. One of the best documented costs of collectivization was the wholesale slaughter

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[76] Abram Bergson, The Real National Income of Soviet Russia Since 1929 (Cambridge, Mass.: Harvard University Press, 1961), p. 257.

of livestock, including the horses and oxen that were the traditional source of tractive power in Russian agriculture. The loss of livestock was severe. Agriculture's stock of livestock in 1933 was 40 percent of its 1928 level.[77] Given the widespread peasant opposition to collectivization, labor effort must have declined as well. Whereas secret policy reports from the countryside fabricated "left deviationist" and "right deviationist" plots in the countryside in the mid 1920s, they could now document the outrage of the peasantry as they resisted collectivization by force. If collectivization, therefore, destroyed a significant percentage of the agricultural capital stock and reduced labor effort, it is unclear whether the reduced peasant living standards for which collectivization aimed produced any kind of a surplus. The most direct test of agriculture's surplus contribution to industrial investment is to subtract the flow of industrial goods to agriculture from the flow of agricultural goods to the city -– a kind of balance of payments for agriculture vis-à-vis industry. Such calculations, made by James Millar, Michael Ellman, and the Soviet economist A.A. Barsov conclude that there was virtually no surplus.[78] This finding is

[77] Holland Hunter and Janusz Szyrmer, *Faulty Foundations: Soviet Economic Policies, 1928-1940* (Princeton: Princeton University Press, 1992), p. 228.

[78] James Millar, "Soviet Rapid Development and the Agricultural Surplus Hypothesis," *Soviet Studies*, vol . 22, no. 1 (July 1970); Michael Ellman, "Did the Agricultural Surplus Provide the Resources for the Increease in Investment in the USSR During the First Five Year Plan?" *Economic Journal*, vol. 85, no. 4 (December 1975); A. Vyas, "Primary Accumulation in the USSR Revisited: *Cambridge Journal of Economics*, vol. 3, no. 3, 1979, pp. 119-130.

puzzling in light of the steady deliveries of grain to the city shown in Figure 2-3. The answer to this puzzle is that industry had to make up for the loss of animal power by producing and sending tractors and combines to agriculture – a reverse flow of products back into agriculture. The increase in the investment rate therefore was paid for by general reductions in living standards of both farm and industrial workers. Chapter 4 will discuss the impact of these reduced living standards on investment.

What appeared to be a simple and decisive strategy – gather tribute from agriculture to pay for industrial investment – turned into a complex equation with unanticipated consequences. The story in the prologue eloquently explains what must have been the impact of collectivization on incentives, even ignoring the fact that the most able farmers were largely liquidated for an incredible loss of human capital. Even Stalin recognized that agriculture cannot operate without positive incentives. By June of 1932, Stalin was ordering to send a "maximum of manufactured consumer goods to the grain, sugar, and cotton producing regions" to stimulate production. [79] By September of 1934, Stalin was ordering "to raise the purchase price of grain in comparison to the current price by 15 kopeks for grain and 10 kopeks for rye."[80] Stalin and the Politburo, who earlier had argued against any limits imposed by economic laws, now found themselves constrained by the most basic of economic laws – the need to provide economic incentives to encourage production and effort.

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[79] *Stalin i Kaganovich.. Perepiski. 1931-1936 gg.p. 162.*

[80] *Stalin i Kaganovich.. Perepiski. 1931-1936 gg., p. 478.*

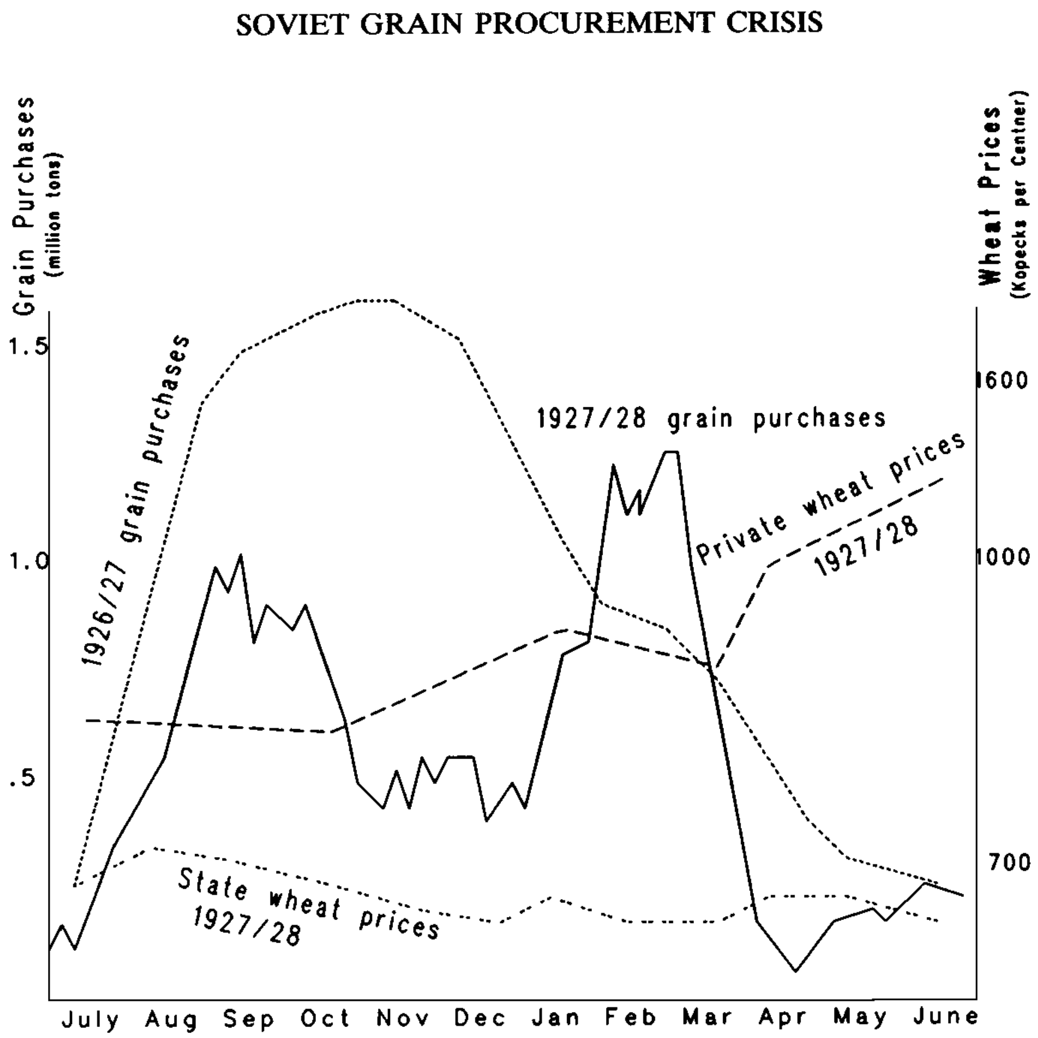
Table 2-1

Output, State Purchase, and Prices of Grain

		Year	
	1926/1927	**1927/1928**	**1928/1929**
Grain production (million tons)	74.6	72.8	72.5
Grain collection (million tons)	11.6	11.1	9.4
Price of wheat in private market (kopeks per centner)	861	892	1120
State wheat prices (kopeks per centner)	648	622	611
Ratio of state to private grain prices (1913 = 100)	0.89	0.79	0.45

Source: R.W. Davies, *The Collectivization of Soviet Agriculture,* vol. 1 (Cambridge, mass: Harvard University Press, 1980); *Statisticheski Spravochnik 1929.*

Figure 2-1



Source: Stephan Merl, *Der Agrarmarkt und die Neue Oekonomische Politik* (Munich: Oldenbourg, 1981), p. 322.

Figure 2-2

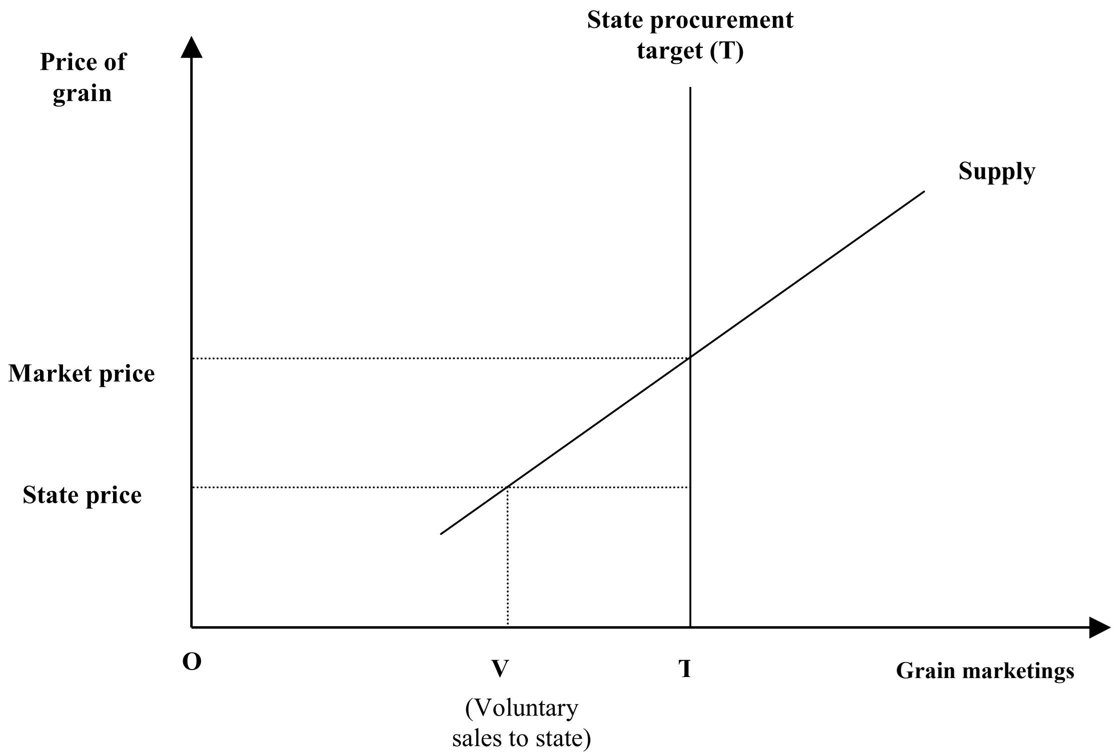
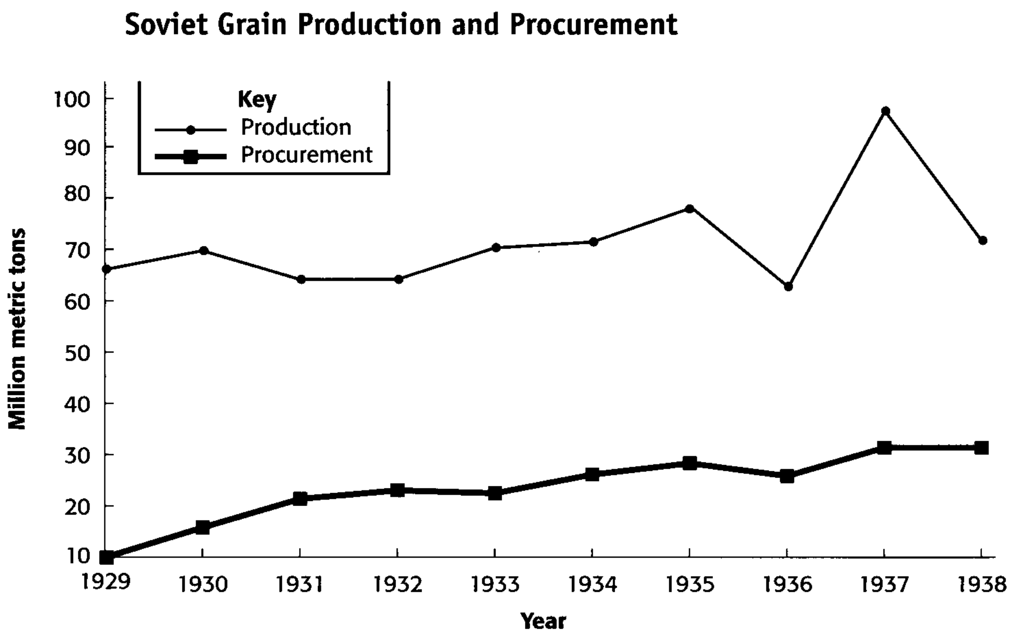

State procurement target (T)
Price of grain
Supply
Market price
State price
O
V
T
Grain marketings
(Voluntary sales to state)

Figure 2-3



Source: P. Gregory and R. Stuart, *Russian and Soviet Economic Performance and Structure* (Boston: Addison Wesley Longman, Inc., 2001), p. 77.

Table 2-2

Mass peasants demonstration in 1930 (on the territory of USSR in general)*

Reasons

Month of mass demonstrations	Total number of mass demonstrations	Demonstration with female predominance	Collectivization	Disruptions by anti-Soviet elements	Closing of churches, dismantling of bells	Sowing and harvesting campaign	State grain and meat procurements	Tax campaign	Food shortage	Shortage of manufactured goods	Others
January	402	229	158	68	159	7	2		4		4
February	1048	379	723	178	103	19	2	1	9		13
March	6528	1172	5010	749	514	160	2	5	65		23
April	1992	550	789	457	391	147		2	172		34
May	1375	486	284	338	126	154	3	1	433		36
June	886	301	175	214	69	37	4	1	348	3	35
July	618	167	170	177	38	9	29	2	141	5	47
August	256	105	50	61	25	7	73	1	17	3	19
September	159	82	12	40	10	2	65	3	9	7	11
October	270	141	6	33	23	1	173	11	9	2	12
November	129	56	3	17	12	1	67	3	10	6	10
December	91	44	2	7	17		36	11	3	1	14
Total in 1930	13754	3712	7382	2339	1487	544	456	41	1220	27	258

Source: A. Berelovich and B. Danilov, *Sovetskaia Derevnia Glazami VChK-OGPU-NKVD, Vol. 2. 1923-1929* (Moscow: Rosspen, 1998), p. 18.

* Central Archive FSB RF. Secret-political department OGPU. Memorandum about forms and dynamics of class struggle in countryside in 1930. S.32.